

INITIATIVE 675

I, Ralph Munro, Secretary of State of the State of Washington and custodian of its seal, hereby certify that, according to the records on file in my office, the attached copy of Initiative Measure No. 675 to the People is a true and correct copy as it was received by this office.

1 AN ACT Relating to property taxes; adding new sections to chapter
2 84.36 RCW; adding a new section to chapter 84.40 RCW; and creating new
3 sections.

4 BE IT ENACTED BY THE PEOPLE OF THE STATE OF WASHINGTON:

5 NEW SECTION. **Sec. 1.** The intent of this act is to provide
6 property tax relief by setting base years for all property tax
7 valuation computation, limiting property tax valuation increases on all
8 property to two percent per year over the base year until ownership of
9 the property changes, limiting a taxing district to two percent tax
10 growth per year, eliminating portions of the state property tax, and
11 limiting the tax assessed on owner-occupied property claimed as a
12 principal place of residence.

13 NEW SECTION. **Sec. 2.** A new section is added to chapter 84.36 RCW
14 to read as follows:

15 The definitions in this section apply throughout this section and
16 sections 3 and 4 of this act unless the context clearly requires
17 otherwise.

18 (1) "Base value" means the following, as appropriate:

19 (a) The assessed value for 1992 determined under RCW 84.40.030 of
20 property acquired in or before 1992;

1 (b) The assessed value determined under RCW 84.40.030 of the
2 property for the year after 1992 in which the property is acquired; or

3 (c) The assessed true and fair value as determined under RCW
4 84.40.030 for all property that has changed or transferred ownership
5 since the last assessment.

6 (2)(a) "Adjusted value" means the lesser of the following:

7 (i) The assessed true and fair value of property, as determined
8 under RCW 84.40.030; or

9 (ii) The base value of the property increased on January 1st of
10 each year thereafter by a maximum of two percent, compounded annually,
11 plus the portion of the true and fair value attributable to any
12 construction or alteration not included in the most recent assessment,
13 other than improvements exempt under RCW 84.36.400 for the assessment
14 year.

15 (b) This subsection does not apply to special levies or levies
16 approved under RCW 84.55.050.

17 (3) "Change of ownership" and "transfer of ownership" are
18 equivalent, and mean a transfer of a present interest in real property,
19 including a transfer of the beneficial use of real property.

20 (a) "Change of ownership" and "transfer of ownership" include,
21 except as provided in (b) and (c) of this subsection:

22 (i) Contracting to convey the title to or ownership of real
23 property upon the fulfillment of one or more stated conditions if the
24 right to possession of the property is transferred currently;

25 (ii) The creation, transfer, or termination of a joint tenancy
26 interest;

27 (iii) The creation, transfer, or termination of a tenancy-in-common
28 interest;

29 (iv) The vesting of a right of possession or enjoyment of a
30 remainder or reversionary interest that occurs upon the termination of
31 a life estate or other similar precedent property interest;

32 (v) An interest that vests in persons other than the trustor if a
33 revocable trust becomes irrevocable; and

34 (vi) The transfer of stock of a cooperative housing corporation,
35 vested with legal title to real property, that conveys to the
36 transferee the exclusive right to occupancy and possession of the
37 property or a portion of the property.

38 (b) "Change of ownership" does not include:

1 (i) A transfer between coowners that results in a change in the
2 method of holding title to the real property transferred without
3 changing the proportional interests of the coowners in the real
4 property, such as a partition of a tenancy-in-common;

5 (ii) A transfer for the purpose of merely perfecting title to the
6 real property;

7 (iii) The creation, assignment, termination, or reconveyance of a
8 security interest in real property; or the substitution of a trustee
9 under a security instrument;

10 (iv) A transfer of real property by the trustor, or by the
11 trustor's spouse, or by both, into a trust for so long as the
12 transferor is the sole present beneficiary of the trust, or the trust
13 is revocable; or a transfer of real property by a trustee of such a
14 trust back to the trustor;

15 (v) A transfer of real property by an instrument whose terms
16 reserve to the transferor an estate for years or an estate for life.
17 However, the termination of such an estate for years or life estate
18 constitutes a change of ownership; and

19 (vi) A transfer of real property between or among the same parties
20 for the purpose of correcting or reforming a deed to express the true
21 intention of the parties, if the original relationship between the
22 grantor and grantee is not changed.

23 (c) "Change of ownership" also does not include an interspousal
24 transfer of real property, including, but not limited to:

25 (i) Transfers to a trustee for the beneficial use of a spouse, or
26 the surviving spouse of a deceased transferor, or by a trustee of the
27 trust to the spouse of the trustor;

28 (ii) Transfers that take effect upon the death of a spouse;

29 (iii) Transfers to a spouse or former spouse in connection with a
30 property settlement agreement or decree of dissolution of marriage or
31 legal separation; and

32 (iv) The creation, transfer, or termination, solely between
33 spouses, of a coowner's interest.

34 (4) "Reduction" and "exemption" are equivalent terms.

35 NEW SECTION. **Sec. 3.** A new section is added to chapter 84.36 RCW
36 to read as follows:

37 (1) In addition to the limitations under this title, a specific
38 property tax reduction is created whereby:

1 (a) The tax payable on property used as an owner-occupied principal
2 place of residence may not exceed 0.59 percent of the property's
3 adjusted value, as determined either under section 2 of this act or by
4 applicable law, or both.

5 (b) That portion of the state tax levy derived from residential
6 property taxes for property used as an owner-occupied principal
7 residence is hereby eliminated.

8 (c) This subsection does not apply to special levies or levies
9 approved under RCW 84.55.050.

10 (2) The following specific conditions, as appropriate, must be
11 satisfied by an owner-occupant claiming reduction for a principal
12 residence under this section:

13 (a) The residence must be occupied by the person claiming reduction
14 under this section as a principal place of residence in the year in
15 which taxes are due;

16 (b) The claimant must notify the assessor in writing of the
17 claimant's request for a claim of reduction under this section for a
18 claim of reduction to be considered valid. The reduction shall be
19 effective from the date of filing of a request for the reduction at the
20 assessor's office by the claimant or the claimant's duly authorized
21 representative; and

22 (c) The person claiming reduction must have owned, at the time of
23 filing, the property in fee, as a life estate, or by contract a share
24 in a cooperative housing association, corporation, or partnership. A
25 share in the ownership of the property in fee, as a life estate, or by
26 contract in a cooperative housing association, corporation, or
27 partnership representing a marital community or owned by cotenants
28 shall be deemed to be owned by each spouse or cotenant, and a lease for
29 life shall be deemed a life estate.

30 (3) Confinement of the claimant to a hospital or nursing home does
31 not disqualify the claim of reduction if:

32 (a) The residence is temporarily unoccupied;

33 (b) The residence is occupied by a person who is either or both a
34 spouse or a person financially dependent on the claimant for support;
35 or

36 (c) The residence is rented for the specific purpose of paying
37 nursing home or hospital costs.

38 (4) A person who is displaced from a principal residence may
39 transfer a claimed reduction status to a replacement residence.

1 (5) A claimed reduction continues annually until a change of
2 ownership of the affected property or until rescinded by the claimant.

3 (6) A claimant may not receive more than one active owner-occupant
4 reduction at any time. A new claim for such a reduction invalidates
5 any prior such reduction.

6 NEW SECTION. **Sec. 4.** A new section is added to chapter 84.40 RCW
7 to read as follows:

8 (1) All property tax assessments shall be computed using the
9 adjusted value of a property, as defined in section 2 of this act.

10 (2) On an annual basis, a taxing district may only collect the
11 lesser of the following:

12 (a) Tax revenue growth of two percent over the prior year's total
13 taxes, not to include new construction; or

14 (b) An amount not to exceed the change in value of the federal
15 consumer price index.

16 (3) The assessed value of new construction shall be added to the
17 amount derived under subsection (2) of this section.

18 NEW SECTION. **Sec. 5.** This act applies to taxes payable in 1998
19 and thereafter.

20 NEW SECTION. **Sec. 6.** Excess nonappropriated funds accumulated at
21 the state level shall be used to offset the effects of implementation
22 of this act.

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